

13 September 2022

WATER SUPPLY DISRUPTION IN MALAYSIA

Lynas Rare Earths Ltd (ASX: LYC, OTC:LYSDY) (Lynas) notifies of significant water supply disruption issues affecting production at the Lynas Malaysia plant.

Previous water supply issues due to PAIP, our local supplier in Malaysia, which affected production in Q4 FY2022 (refer Quarterly Report, 18 July 2022) were expected to be substantially remediated in August 2022.

During July and August 2022, water supply from PAIP was unpredictable and on most days below the level required to run all 4 kilns. Lynas implemented mitigating strategies, including water from alternative local sources and trucked water and was able to achieve over 800 tonnes Ready for Sale Production Volume of NdPr for the months of July and August combined. Normal water supply was expected to resume during September 2022, which would have enabled the shortfall from July and August to be mitigated.

Following a catastrophic equipment failure in early September, PAIP has not supplied any water for 7 days. This issue is affecting all users in the Kuantan area, including residential customers.

PAIP initially advised the issue would be rectified and normal supply would be resumed from Saturday 10 September. However, PAIP has now provided an update that the current situation of zero supply is expected to continue for at least the next week.

Lynas, together with other industrial users, has provided skilled personnel and equipment to assist PAIP to make the required repairs.

Lynas expects that water supply from PAIP will remain unpredictable until at least the end of September 2022. Whilst Lynas' alternative strategies will support some continued production during September, it will fall short of the level achieved in July and August 2022. It is not possible to quantify the exact shortfall in September whilst water supply remains unpredictable.

The PAIP water supply issue will significantly affect production during this quarter. However, with the implementation of additional strategies, the effect on the full year result is not expected to be material.

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